

ADVANCE INNOVATIVE EDUCATION**BATON ROUGE, LOUISIANA****June 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/8/11

L.A. CHAMPAGNE & Co.
LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Finance Committee and Board of Directors
Advance Innovative Education

We have audited the accompanying statements of financial position of Advance Innovative Education (AIE) as of June 30, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the AIE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advance Innovative Education as June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010, on our consideration of AIE's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Advance Innovative Education, taken as a whole. The accompanying supplemental schedule of expenditures of federal awards on page 10 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

L. A. Champagne & Co., L.L.P.

December 30, 2011

**ADVANCE INNOVATIVE EDUCATION
STATEMENT OF FINANCIAL POSITION**

Year ended June 30, 2010

ASSETS

CURRENT ASSETS

Cash	\$ 51,187
Grants receivable	133,003
Accounts receivable - program participant fees net of allowance for doubtful accounts \$9,649	54,677
Prepaid expenses	8,150
	<u>247,017</u>

FIXED ASSETS

Furniture and equipment	80,712
Less accumulated depreciation	54,247
	<u>26,465</u>
	 <u>\$ 273,482</u>

LIABILITIES

Accounts payable	\$ 102,998
Accrued compensated absences	1,320
Deferred revenue - program participant fees	74,893
Accrued expenses	48,215
	<u>227,426</u>

NET ASSETS

Unrestricted	44,230
Temporarily restricted	1,826
	<u>46,056</u>
	 <u>\$ 273,482</u>

See accompanying notes

**ADVANCE INNOVATIVE EDUCATION
STATEMENT OF ACTIVITIES**

Year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 283,624	\$ -	\$ 283,624
Grants - governmental	-	823,693	823,693
Grants - other	124,076	5,342	129,418
Fees for services	228,430	42,454	270,884
	<u>636,130</u>	<u>871,489</u>	<u>1,507,619</u>
Net assets released from restrictions:			
Satisfaction of specified purpose	869,663	(869,663)	-
	<u>1,505,793</u>	<u>1,826</u>	<u>1,507,619</u>
EXPENSES			
Program services	1,433,736	-	1,433,736
Management and general	161,551	-	161,551
Fundraising	95,660	-	95,660
	<u>1,690,947</u>	<u>-</u>	<u>1,690,947</u>
Change in net assets	(185,154)	1,826	(183,328)
Net assets - beginning of year	461,799	-	461,799
Net assets transferred out in ABR spin-off	<u>(232,415)</u>	<u>-</u>	<u>(232,415)</u>
Net assets - end of year	<u>\$ 44,230</u>	<u>\$ 1,826</u>	<u>\$ 46,056</u>

See accompanying notes

ADVANCE INNOVATIVE EDUCATION STATEMENT OF CASH FLOWS

Year ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (183,328)
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Adjustments to reconcile change in net assets to
net cash provided by operating activities:

Depreciation	19,256
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Loss on disposition and other furniture and equipment charges	23,096
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Decrease (increase) in:

Grants receivable	53,231
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Account receivable - program participant fees	(54,677)
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Prepaid expenses	(8,150)
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Increase (decrease) in:

Accounts payable	99,864
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Accrued compensated absences	(18,313)
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Accrued expenses	(128,546)
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Deferred revenue	71,833
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Net cash used in operating activities	<u>(125,734)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of furniture and equipment	(4,599)
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Net cash used in investing activities	<u>(4,599)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Net cash provided by (used in) financing activities	<u>-</u>
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NET DECREASE IN CASH	(130,333)
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Cash - beginning of year	722,513
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Cash transferred out in ABR spin-off	(540,993)
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Cash - end of year	<u>\$ 51,187</u>
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See accompanying notes

**ADVANCE INNOVATIVE EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2010

	Program Services	Mgmt. and General	Fundraising	Total
Salaries	\$ 510,973	\$ 51,362	\$ 25,681	\$ 588,016
Payroll taxes	52,986	3,174	1,587	57,747
Total compensation	563,959	54,536	27,268	645,763
Consulting	469,158	25,396	12,698	507,252
Equipment and supplies	34,884	3,240	1,620	39,744
Depreciation	7,702	7,702	3,852	19,256
Special events	18,629	-	14,883	33,512
Insurance	7,744	515	257	8,516
Legal fees	23,960	13,760	6,880	44,600
Telephones and telecommunications	13,107	1,290	645	15,042
Postage and shipping	764	163	82	1,009
Professional development	38,507	5,751	2,875	47,133
Marketing and recruiting	79,818	23,606	11,803	115,227
Rent - facilities and equipment	3,501	3,501	1,751	8,753
Technology expense	20,518	3,047	1,523	25,088
Travel expense	142,239	9,798	4,899	156,936
Miscellaneous	8	8	4	20
Loss on disposition and other furniture and equipment charges	9,238	9,238	4,620	23,096
	\$ 1,433,736	\$ 161,551	\$ 95,660	\$ 1,690,947

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2010

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Advance Innovative Education (AIE), a nonprofit corporation, with offices Baton Rouge was formed in 2005 under the name Advance Baton Rouge (ABR) by several community interest groups to address the area's educational inequities and low achievement rates. AIE is working to bring systemic change to area public education systems through community partnerships transforming schools into social enterprises and developing leadership at all levels in an effort to provide children a quality education.

Basis of presentation

Financial statement presentation follows the guidance in the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) 985-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 985-205, AIE is required to report information regarding its financial position and activities under three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets are resources that are free of donor-imposed or time restrictions and are available at the direction of the governing board. Temporarily restricted net assets are resources that are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of AIE pursuant to those stipulations. Permanently restricted net assets are those resources whose use by AIE is limited to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of AIE. Advance Innovative Education does not have any permanently restricted net assets.

Basis of accounting – revenue and expense recognition

AIE prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

Grants and contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. AIE reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for the future periods. When donor restrictions expire, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Certain revenues received that pertain to future periods are deferred and recognized as revenue in the applicable period.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses including advertising are recorded when incurred in accordance with the accrual basis of accounting.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income tax status

AIE is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and applicable state statutes.

AIE applies the standards in FASB ASC 740-10 in accounting for uncertainty in income taxes. AIE files a United States return of organization exempt from income tax. AIE's returns under ABR for 2008, 2009 and 2010 are subject to examination by the Internal Revenue Service.

Property and equipment

Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation less accumulated depreciation. Depreciation is computed using the straight-line method over useful lives as follows:

Building improvements	10 -30 years
Furniture, fixtures and equipment	3 -10 years

When property is retired or otherwise disposed of, the accounts are relieved of the applicable cost and accumulated depreciation and any resulting gain or loss is reflected in the financial statements. Major additions are capitalized and charges for maintenance and repairs are charged to expense as paid.

Gifts of noncash items

Noncash gifts and donations are recorded as contributions at their fair values at the date of the donation.

Donated services

Donated goods and services are recognized as contributions in accordance with FASB ASC 958-605 *Revenue Recognition for Not-for-Profit Entities*, services are recognized that either (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by AIE. Such services are generally acquired from third party providers by AIE. Many individuals volunteer their time and perform a variety of tasks that assist AIE in the performance of its educational activities; however, these services

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958-605 were not met.

Cash

For the purpose of the statement of cash flows, cash includes all cash accounts.

Deferred revenue – program participant fees

Redesigning Lessons, Re-envisioning Principals (RLRP) Program participant fees are recognized as revenue on a pro rata basis over the three year course of instruction. Unearned amounts net of provisions for uncollectible participant fees are reported as deferred revenue.

Accounts receivable – program participant fees

Amounts receivable from RLRP program participants represent course fees charged upon enrollment that are due and payable over the term of the course. Management has established an allowance for uncollectable fees through charges against the related deferred revenue based upon estimates of participant withdrawals from the program.

Functional expenses

Certain expenses are charged directly to functional classifications. Other expenses are allocated between program, fundraising, and management and general based upon estimates of staff time spent on each function or other appropriate allocation bases.

B: ECONOMIC DEPENDENCY

AIE receives support from a number of sources. Significant among those is the United States Department of Education, which was 58 percent of total revenue.

C: CONCENTRATION OF CREDIT RISK

AIE maintains its cash in bank deposit accounts which, at times, may exceed the federally insured deposit limits.

Contributions and grants receivable and promises to give are principally due from various institutional donors and grantors. The concentration of credit risk is not significant because realization of the amounts is dependent primarily upon the financial strength of well funded government entities and foundations. However, significant changes to the US Department of Education's Re-Designing Lessons, Re-Envisioning Principals grant to AIE could have a material financial impact on AIE.

D: NET ASSETS

Temporarily restricted net assets consist of fees for services generated by the RLRP program. A total of \$1,826 is temporarily restricted for use in specific programmatic areas.

E: LEASES

AIE leases its office space under an arrangement accounted for as an operating lease. The lease is a month-to-month lease and as such there are no future minimum lease payments under non-cancelable leases.

F: RESTRUCTURING TRANSACTION

Effective July 1, 2009, Advance Innovative Education (formerly called Advance Baton Rouge) spun-off its charter school related assets and liabilities into a newly formed entity which retains the name, Advance Baton Rouge. The financials included in this report are those of AIE only. Assets and liabilities were primarily separated based upon which entity generated the assets or incurred the liabilities. ABR received approximately \$1.837 million in total assets and assumed liabilities and debts of \$1.605 million. As a result, net assets of \$232,414 were transferred to ABR on July 1, 2009 along with the charters and associated contracts to operate the five schools.

Advance Innovative Education (AIE) assumed all liabilities and claims that are covered by any insurance policies issued to ABR prior to the split including but not limited to the Travelers Property Casualty Company of America insurance policy.

As part of the transition, ABR agreed to pay AIE \$11,000 per month for three months for transition services plus approximately \$18,000 for four professional development courses.

G: CONTINGENCIES

Advance Innovative Education is a defendant in several lawsuits alleging unspecified damages as a result of its organization's failure to supervise. In addition several claims have been made involving similar allegations and wrongful termination. Management intends to vigorously defend these lawsuits and claims but is unable to evaluate the outcome of the matters or estimate the amount of any liabilities that may result from unfavorable resolutions.

Federal and State assistance programs represent an important source of funding for AIE. Federal programs are audited annually in accordance with the "Single Audit Act". However, grantor agencies may conduct or require further examinations. Based upon prior experience, management believes that further examination would not result in any significant disallowed costs.

H: SUBSEQUENT EVENTS

Subsequent events were evaluated through December 30, 2011, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

ADVANCE INNOVATIVE EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2010

FEDERAL GRANTOR/ PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR END	PROGRAM OR AWARD AMOUNT	TOTAL FEDERAL EXPENDITURES
U.S. Department of Education Passed through Louisiana State Department of Education:				
Re-Designing Lessons, Re-Envisioning Principals	84.363A	09/30/13	\$ 3,111,011 \$	823,693
Total Federal Awards			\$ 3,111,011 \$	823,693

Note A: The schedule above is prepared using accrual basis of accounting. This information is presented in accordance with the requirement of OMB Circular A-133, Audits of State, Local Government, and NonProfit Organizations. Therefore, the amounts presented on the schedule may differ from amounts presented in the basic financial statements.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Advance Innovative Education

We have audited the financial statements of Advance Innovative Education, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Advance Innovative Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Advance Innovative Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Advance Innovative Education's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Advance Innovative Education's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Advance Innovative Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

Advance Innovative Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questions costs. We did not audit Advance Innovative Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management and governing body of Advance Innovative Education, the Louisiana State Department of Education, the Legislative Auditor and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana R. S. 24:512, this report is distributed by the Legislative Auditor as a public document.

L.A. Champagne & Co., L.L.P.

December 30, 2011

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors
Advance Innovative Education

Compliance

We have audited Advance Innovative Education's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Advance Innovative Education's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Advance Innovative Education's management. Our responsibility is to express an opinion on Advance Innovative Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Advance Innovative Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on Advance Innovative Education's compliance with those requirements.

In our opinion, Advance Innovative Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Advance Innovative Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Advance Innovative Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Advance Innovative Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the board of Advance Innovative Education, the Louisiana State Department of Education, the Legislative Auditor, and federal awarding agencies and it is not intended to be and should not be used by anyone other than these specified parties.

L.A. Champagne & Co., L.L.P.

December 30, 2011

**ADVANCE INNOVATIVE EDUCATION
SUMMARY OF AUDIT RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Year Ended June 30, 2010

A: SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Advance Innovative Education.
2. No significant deficiencies in internal controls relating to the audit of the financial statements are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *"Governmental Auditing Standards."*
3. One instance of noncompliance 2010-1 material to the financial statements of Advance Innovative Education was disclosed during the audit.
4. No significant deficiencies in internal controls over compliance with requirements applicable to major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
5. The auditor's report on compliance for the major federal award programs for Advance Innovative Education expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Advance Innovative Education are reported in Part C of this Schedule.
7. The programs tested as a major program are as follows:

U.S. Department of Education
RLRP – Re-Designing Lessons, Re-Envisioning Principals; CFDA#84.363A
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Advance Innovative Education was determined not to be a low-risk auditee, because this is the second year a single audit under OMB Circular A-133 was required.

B: FINDINGS - FINANCIAL STATEMENTS AUDIT

COMPLIANCE

2010-1 Engagement Completion

Condition: Advance Innovative Education (formerly Advance Baton Rouge) spun-off its charter school related assets and liabilities to a successor Advance Baton Rouge. AIE had to establish a new accounting and financial reporting system, because the existing system remained with the successor.

The books and records were completed and ready for audit in mid December, 2010. The auditors were unable to schedule and complete the audit under generally accepted governmental auditing standards and submit the report to the Louisiana Legislative Auditor prior to the December 31, 2010 deadline.

Effect: According to the Legislative Auditor of the State of Louisiana, failure to comply with the six month statutory issuance date is specifically required to be reported as a material instance of noncompliance with state law.

Criteria: L.R.S. 24:513 provides that the audited financial statements are to be filed with the Legislative Auditor within six months of the close of the fiscal year.

Auditor's Recommendation: Maintain the accounting records on a current basis in order for the audit to commence by mid-August and progress to completion prior to the end of October. Also, the auditors should schedule and complete their work so that the required financial reports can be submitted on a timely basis

Management Response: Now that the two organizations have successfully separated, management and the financial administrator are able to maintain the accounting records on a current, up-to-date basis and anticipate that in the future, the completion of fiscal year end accounting records will be timely. The auditors have assured management of timely completion of future audits given management's capabilities to maintain the accounting records current and timely complete the fiscal year-end close.

C: FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There are no findings that are required to be reported in this section of the report.

**ADVANCE INNOVATIVE EDUCATION
SCHEDULE OF CORRECTIVE ACTION TAKEN
ON PRIOR YEAR FINDINGS**

Year Ended June 30, 2010

None required



December 30, 2011

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Advance Innovative Education respectfully submits the following corrective action plan for the fiscal period end June 30, 2010.

Name and address of independent public accounting firm:

L.A. Champagne & Co., L.L.P.
4911 Bennington Avenue
Baton Rouge, Louisiana 70808

Audit period: Twelve months ended June 30, 2010

The findings from the 2010 schedule of findings and questioned cost are discussed below. The findings are numbered consistently with the number assigned to the schedule.

COMPLIANCE

2010-1 Engagement Completion

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Effect: According to the Legislative Auditor of the State of Louisiana, failure to comply with the six month statutory issuance date is specifically required to be reported as a material instance of noncompliance with state law.

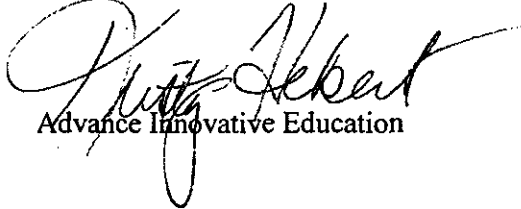
Criteria: L.R.S. 24:513 provides that the audited financial statements are to be filed with the Legislative Auditor within six months of the close of the fiscal year.

Auditor's Recommendation: Maintain the accounting records on a current basis in order for the audit to commence by mid-August and progress to completion prior to the end of October. Also, the auditors should schedule and complete their work so that the required financial reports can be submitted on a timely basis

Management Response: Now that the two organizations have successfully separated, management and the financial administrator are able to maintain the accounting records on a current, up-to-date basis and anticipate that in the future, the completion of fiscal year end accounting records will be timely. The auditors have assured management of timely completion of future audits given management's capabilities to maintain the accounting records current and timely complete the fiscal year-end close.

If there are any questions regarding this plan, please call me at (225) 922-9123.

Respectively submitted,


Advance Innovative Education